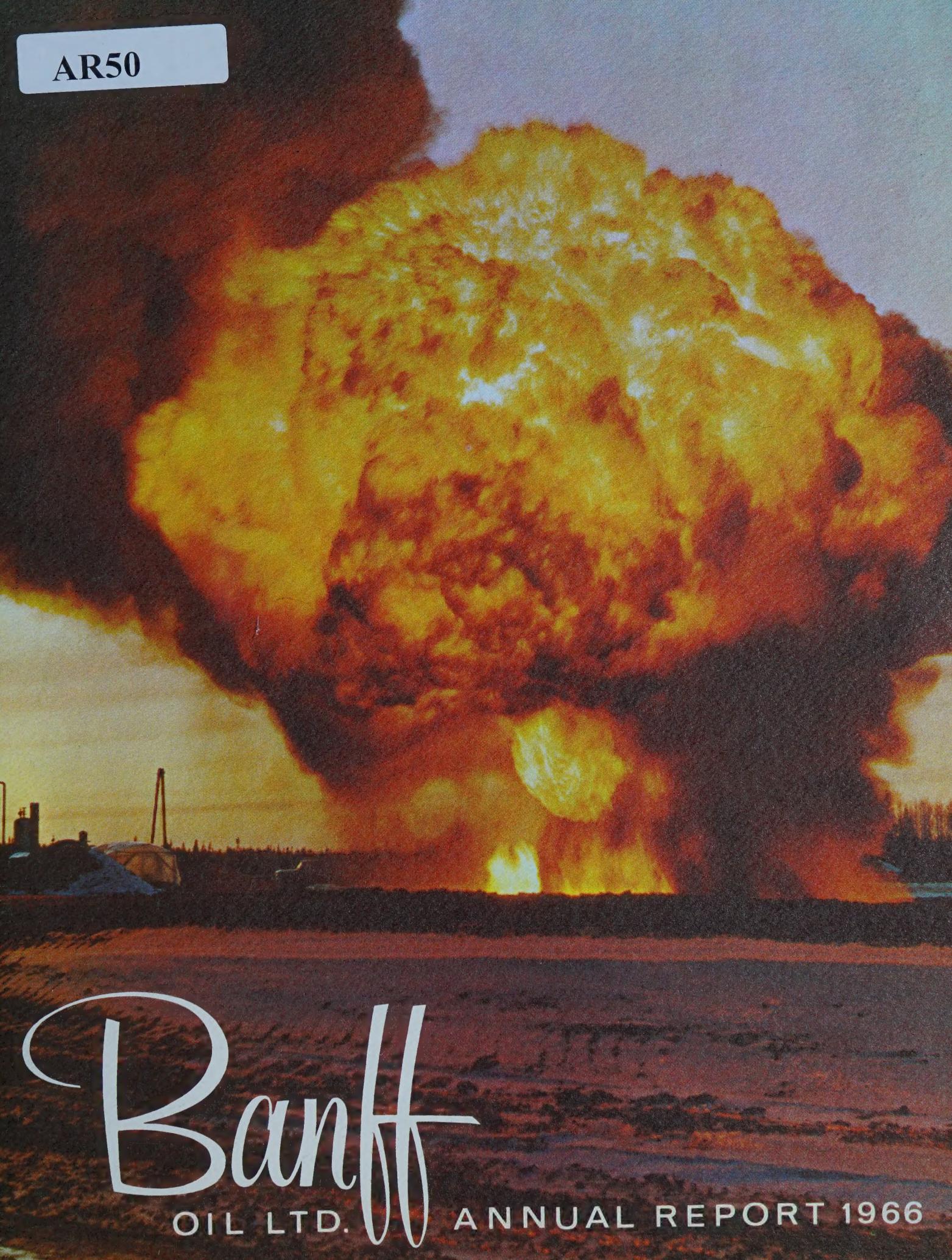


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Banff  
OIL LTD.

ANNUAL REPORT 1966





*Incorporated under the laws of the Province of Alberta*

## Sixteenth Annual Report

**BOARD OF  
DIRECTORS**

GEORGE CRETZIANU . . . . .	Montreal, Quebec
JEAN-PAUL LEGRAND . . . . .	Paris, France
HAROLD W. MANLEY . . . . .	Calgary, Alberta
LAURENT MICHEL . . . . .	New York, N.Y.
LOUIS PRADAL . . . . .	Calgary, Alberta
JOHN C. RUDOLPH . . . . .	Calgary, Alberta
DONALD K. RUSSELL . . . . .	New York, N.Y.
GILBERT RUTMAN . . . . .	Pau, France
WATKIN SAMUEL . . . . .	Toronto, Ontario

**OFFICERS &  
KEY PERSONNEL**

JOHN C. RUDOLPH . . . . .	President
J. J. SAUCIER, Q.C. . . . .	Secretary
W. J. MACINTOSH . . . . .	Treasurer
RONALD J. WHITE . . . . .	Vice-President — Exploration
RONALD C. DOWELL . . . . .	Assistant Secretary
THOMAS GRANDIN . . . . .	Assistant Treasurer

**HEAD OFFICE**

550 Sixth Avenue S.W. . . . . Calgary, Alberta

**COUNSEL**

CHAMBERS, SAUCIER, JONES, PEACOCK	
BLACK, GAIN & STRATTON . . . . .	Calgary, Alberta
SIMPSON, THACHER AND BARTLETT . . . . .	New York, N.Y.

**AUDITORS**

PRICE WATERHOUSE & Co. . . . . Calgary, Alberta

**TRANSFER  
AGENTS**

MONTRÉAL TRUST COMPANY . . . . .	Calgary, Alberta
MORGAN GUARANTY TRUST COMPANY OF NEW YORK . . . . .	Toronto, Ontario

**REGISTRARS**

MONTRÉAL TRUST COMPANY . . . . .	Calgary, Alberta
EMPIRE TRUST COMPANY . . . . .	Toronto, Ontario

**STOCK EXCHANGE  
LISTINGS**

TORONTO STOCK EXCHANGE . . . . .	Toronto, Ontario
AMERICAN STOCK EXCHANGE . . . . .	New York, N.Y.



## The Report In Brief

(1965 FIGURES FOR COMPARISON)

	1966	1965	Change + or -
<b>FINANCIAL</b>			
Gas and Gas Products Sales (less Royalties) . . . . .	\$ 1,032,583	\$ 799,223	+ 29%
Oil Sales (less Royalties) . . . . .	617,754	420,511	+ 47%
Administrative Expenses . . . . .	67,298	40,713	+ 65%
Interest Expense . . . . .	277,604	204,923	+ 35%
Cash Income . . . . .	853,313	617,076	+ 38%
Cash Income per Share . . . . .	18.82¢	14.53¢	+ 30%
Net Income . . . . .	638,734	448,028	+ 43%
Net Income per Share . . . . .	14.1¢	10.5¢	+ 34%
Working Capital . . . . .	1,858,041	(434,018)	—
<b>PRODUCTION</b>			
Pipeline Gas (net MMcf) . . . . .	2,745	2,298	+ 19%
Average Mcf per day . . . . .	7,521	6,295	+ 19%
Natural Gas Liquids (net barrels) . . . . .	112,929	61,856	+ 82%
Sulphur (net long tons) . . . . .	13,119	13,628	- 4%
Crude Oil (net barrels) . . . . .	285,144	194,722	+ 46%
Average barrels of crude oil per day . . . . .	781	533	+ 46%
Sales price of crude oil per barrel . . . . .	\$2.17	\$2.16	—
Operating costs per barrel . . . . .	.60	.82	- 27%
Net return per barrel . . . . .	1.57	1.34	+ 17%
<b>RESERVES—Proven and Probable</b>			
Crude Oil (net barrels) . . . . .	28,545,449	8,008,612	+256%
Natural Gas Liquids (net barrels) . . . . .	5,108,014	2,596,674	+ 97%
Pipeline Gas (net MMcf) . . . . .	113,627	104,480	+ 9%
Sulphur (net long tons) . . . . .	465,041	441,642	+ 5%
<b>LAND</b>			
Reservations or Permits			
Gross acres . . . . .	4,167,378	2,948,211	+ 41%
Net acres . . . . .	696,319	756,311	- 8%
Leases			
Gross acres . . . . .	926,037	897,484	+ 3%
Net acres . . . . .	223,264	218,601	+ 2%
<b>WELLS DRILLED</b>			
Gross . . . . .	49	49	—
Net . . . . .	3.0	6.5	- 54%
<b>SHARES</b>			
Shares Outstanding (common) . . . . .	4,533,722	4,248,061	+ 7%
Number of Shareholders . . . . .	6,149	5,779	+ 6%

# Report Of The Directors

TO THE SHAREHOLDERS OF BANFF OIL LTD.

The Sixteenth annual report for the year ended December 31, 1966 is presented herewith.

As in the previous year, production income, net income, oil and gas reserves and land holdings set new Company records. In spite of this, however, the outstanding feature of the past year's effort has been the remarkable exploration and development success at Rainbow.

At the beginning of 1966 the Company had a 5% interest in three separate Rainbow reef reservoirs of Keg River age, two oil and one gas. At the end of the year the Company had a 5% interest in fifteen separate reef reservoirs, twelve oil and three gas, represented by thirty Rainbow reef oil wells, one gas injection well, three suspended gas wells and one Muskeg oil well. Through this period the Company operations have established an unprecedented success ratio in both wildcat and development drilling. Production income was up substantially over the previous year even though production from the Rainbow discoveries only commenced March 18, 1966 and in the latter part of the year was severely hampered by pipeline capacity. Administrative expenses were up moderately in dollar terms as was interest expense but operating costs showed a substantial decline resulting in a marked improvement in the net return per barrel and the highest net profit in the history of the Company.

While Company activity was primarily concentrated at Rainbow, an aggressive acquisition program of potentially-productive lands in Alberta, British Columbia, Saskatchewan and the Northwest Territories continued. Initial exploration work commenced on the Winnipegosis lands of central Saskatchewan and there was some development drilling in southeastern Saskatchewan.

Following completion of Phase I of the Rainbow Pipe Line Company, Ltd. (owned 3 1/3 % by Banff) which consists of a 235-mile, twenty-inch line joining the Rainbow area with the Nipisi end of Mitsue Pipeline, it was immediately apparent that more capacity was needed. Construction began this winter on 183 miles of twenty-four-inch line from Nipisi to Edmonton and 60 miles of twenty-inch line from Rainbow north to the Zama Lake area. Testing of the line has now been completed and the entire 478-mile system is in full operation. Construction of a major gas processing facility at Rainbow will commence this month. When completed in the fall of 1968 it will produce up to 37.5 million cubic feet of gas, approximately 9,000 barrels of natural gas liquids and condensate and 75 long tons of sulphur per day. The gas will be used for pressure maintenance of the various reservoirs, the liquids for miscible flooding and the sulphur marketed.

During the year the Company arranged a line of credit from a Canadian bank up to \$7,500,000, payable in three years after a two-year deferral. It is the hope of the Board of Directors of the Company that the Rainbow development can be financed by short-term funds, such as this, until a clear idea can be gained of the magnitude of reserves and income. At that point the possibility of arranging for public financing to repay bank loans and finance an aggressive exploration program will be examined. The reserves as presented in this report are the total of the proven and the probable reserves assigned to the Company properties by an independent consulting engineer retained in connection with the bank loans.

The Canadian oil industry was remarkably successful in increasing oil reserves during the year with a 16% increase recorded nationally. This major increase when coupled with the new Alberta proration system based on reserves, requires that Canada find larger markets for her oil. It is generally accepted that the most logical market for western Canadian crude is in the rapidly-growing mid-western United States market. Strenuous efforts are currently in progress to increase our participation in this market. I have little doubt that these efforts will be successful, and increased sales from our Rainbow reserves may be anticipated in the coming years.

Banff commences a new year with a strong technical staff, a large spread of prospective acreage, short-term financing problems solved and rapidly rising production at Rainbow. As a maturing exploration specialist the Company can expect another year of marked growth.

Submitted on behalf of the Board of Directors.

April 3, 1967

J. C. RUDOLPH,  
President

## EXPLORATION

Exploration continued at a very strong pace on the Keg River reef play in northwestern Alberta and adjoining portions of British Columbia and Northwest Territories. During the year, 142 wells were drilled by industry on this play. Seismic exploration reached an all-time high for the region with approximately 57 seismic crews working in late 1966. In comparison, the Rainbow discovery well was only one of 12 wildcats drilled in northwest Alberta during the 1964-65 winter season and only four geophysical crews were operating in northwest Alberta before the discovery. Banff, as operator of the Banff-Aquitaine-Mobil joint venture at Rainbow, shared in the activity by drilling a total of 33 wells and operating three to five seismic crews. Much of this work was done in muskeg areas during the summer, an operation that had not been previously attempted in the north.

The Company's exploration activity in other parts of the western Canada sedimentary basin during 1966 has generally taken the form of acreage acquisition rather than exploration. Meanwhile, in central and southern Alberta, Banff has granted farmouts in several areas where exploration had been delayed due to the priority of the Rainbow operation.



**Drilling seismic shot holes**



**Preparing to raise mast at new wellsite**

### Rainbow\*

Spectacular discoveries and an unprecedented success ratio highlighted Banff's exploratory effort during 1966, a continuation of the trend reported in 1965. Eleven new Keg River pools were discovered (nine oil and two gas) and a major extension was made to an existing Keg River oil pool (South Rainbow "A"). Including the "A", "B" and "C" pool discoveries made in 1965, Banff now shares in the following Keg River pools at Rainbow:

Discovery Well	Pool Name	Pool Status	No. of Completed Wells
Banff Aquit Rainbow 7-32 . . . . .	Rainbow "A"	Oil	4
Banff Mobil Rainbow West A3-10 . . . . .	"B"	Oil	8
Banff Mobil Rainbow West 11-27 . . . . .	"C"	Gas	1
Banff Mobil Rainbow 4-9 . . . . .	"D"	Oil	2
Banff Mobil Tsuhae 7-18 . . . . .	"E"	Oil	1
Banff Mobil Saka 10-32 . . . . .	"F"	Oil	7
Banff Mobil Rainbow 13-28 . . . . .	"G"	Oil	1
Banff Mobil Rainbow 12-29 . . . . .	"H"	Oil	1
Banff Mobil Nonta 7-35 . . . . .	"I"	Oil	1
Banff Mobil Rainbow 2-12 . . . . .	"O"	Oil	3
Banff Mobil Tehze 2-27 . . . . .	Not yet designated	Oil	1
Banff Mobil Kitu 6-23 . . . . .	Not yet designated	Gas	1
Banff Mobil Nonta Rain 6-26 . . . . .	"Q"	Gas	1
Banff Mobil Leinkle 1-2 . . . . .	Not yet designated	Oil	1
Banff Aquit Rainbow 3-5 . . . . .	South Rainbow "A"	Oil (Extension well)	1

Many of these pools have additional reserves of oil and gas in the overlying Muskeg, Sulphur Point, and Slave Point reservoirs. Banff's interest is 5% in all 15 pools excepting South Rainbow "A" which was recently unitized. In this pool the Company's interest is 1.6%.

\* See maps on back cover.

A total of 33 wells were drilled at Rainbow during the year. In addition to the eleven new pool discoveries, three other exploratory tests were dry and abandoned. Two of the dry holes were on the Central-Del Rio option acreage and the third, Banff Mobil Rainbow 6-14-110-8, encountered water-laden reef. All of the nineteen development wells drilled were successfully completed as oilwells.

During the current winter season, Banff Mobil Rainbow 12-28-109-8, located five-eighths mile southeast of the 2-32 oilwell, was unsuccessful in an effort to extend Keg River "A" pool production.

Further exploratory drilling is planned for the Rainbow area during 1967. During March three wildcat wells, Banff Mobil Rainbow 3-20-107-10, 12-27-107-10 and 7-34-107-10 were spudded in the southwest corner of Reservation 24. Additional development drilling around the existing discoveries will be undertaken to fully evaluate the productive extent of each pool.

### Long Lake

Banff Aquit Long Lake 6-3-107-6 W6M, located 12 miles southeast of Rainbow, was drilled during the current winter season on a 640 acre lease tract held by Banff-Aquitaine (Banff interest 10%). The well was abandoned after evaluating all prospective zones down to and including the Keg River formation.

### Haig River

An exploratory test, Banff IOE et al Haig River 14-5-104-2 W6M, started in early 1967 and was abandoned after testing all potential zones down to and including the Keg River formation. This well, located 30 miles southeast of Rainbow, earned Banff and its partners a half interest (Banff 5%) in 43,040 acres of reservation lands.

### Northeast British Columbia

In the Kathleen-Chasm Creek area, located 20 miles southwest of Rainbow, near the B.C.-Alberta border, four drilling reservations and several lease blocks were acquired during 1966. Seismic exploration is now underway and a wildcat well will be drilled later in the year.

### Salt Creek

An exploratory well was drilled by Uno-Tex and Banff-Aquitaine on one of two drilling reservations in the Salt Creek area. The well, Uno-Tex Banff Salt Creek 10-35-75-10 W5M, located one mile west of the 10-36 producing well, tested oil in the Gilwood Sand but was subsequently suspended and will be used as a salt/water disposal well. Banff maintains a 5% interest in the Salt Creek lands.

A second well, Uno-Tex Banff Salt Creek 4-6-76-9 W5M, located three-eighths mile northeast of the 13-36 stratigraphic test well that discovered the pool, was abandoned after failing to encounter porosity in the Gilwood Sand. The first development well, Uno-Tex Banff Salt Creek 10-36-75-10 W5M, is the only commercial oilwell in the Salt Creek area and is currently producing at the rate of 130 barrels per day.

### Central Saskatchewan

Exploration geophysical work that started in 1966 will continue throughout 1967. In the event that encouraging results are obtained from this program, exploratory drilling should begin later this year. Banff, with a 33½% working interest, is operator.

### Southwest Saskatchewan

Exploration seismic work was carried out over the Shaunavon permit (Banff interest 25%) during 1966. A wildcat well will be drilled on this prospect in 1967.

### Smoky River

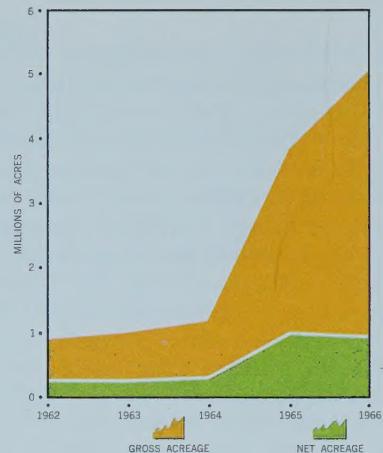
Drilling activity in the Gold Creek portion of the Smoky River block was less active during 1966. On Banff interest lease blocks, the Arco Sinclair Gold Ck. 10-21-68-4 W6M well failed to encounter porosity in the Devonian Wabamun (D-1) formation and was abandoned. In the early part of 1967, the Arco Sinclair Gold Ck. 10-31-67-4 W6M development well was spudded. Pan American, the other operator in the area, completed the 10-25-67-5 W6M well as a suspended salt water disposal well and their test well in 10-20-67-4 W6M, on the southern edge of the field was abandoned after encountering porosity below the gas/water contact. Both of these wells are located adjacent to Banff interest lease blocks. The Arco Sinclair Gold Ck. 10-8-67-5 W6M wildcat was drilling in the upper formations at year-end. Banff has a 6½% net carried interest in leases totalling 412,755 acres in the Smoky River block.

### Mexico

Last year the Company participated in the incorporation of a new company, Azufrera Olmeca S.A.de C.V., formed to explore for sulphur in Mexico. It is expected that a concession covering the sulphur rights applied for in the Isthmus of Tehuantepec will be issued in the near future. In the meantime, exploratory core-hole drilling has commenced under drilling licence.

## LAND

The chart and table summarize the change in the Company's land position during the past year. Unexplored acreage has increased by nearly 1,250,000 acres and Banff retained an interest in 5,093,415 acres of permit, reservation and leased lands at the end of 1966. Since the majority of these lands are located in northern areas where exploration interest is accelerating, the value of the Company's lands has increased substantially during the past year. The decrease in net land results from the sale of an interest in the Saskatoon area permits to Jefferson Lake Petrochemicals of Canada Ltd.



	RESERVATION OR PERMITS				LEASES			
	Gross		Net		Gross		Net	
	1966	1965	1966	1965	1966	1965	1966	1965
Alberta . . . . .	722,860	699,820	67,808	66,400	895,840	872,000	218,709	214,517
Saskatchewan . . . . .	1,641,499	1,501,189	505,600	617,758	25,000	25,000	3,600	3,600
Manitoba . . . . .	—	—	—	—	484	484	484	484
British Columbia . . . . .	296,432	211,142	25,859	18,547	4,713	—	471	—
Northwest Territories . . . . .	1,506,587	536,060	97,052	53,606	—	—	—	—
<b>TOTAL . . . . .</b>	<b>4,167,378</b>	<b>2,948,211</b>	<b>696,319</b>	<b>756,311</b>	<b>926,037</b>	<b>897,484</b>	<b>223,264</b>	<b>218,601</b>

New land acquisitions during 1966 were mainly in British Columbia, Northwest Territories, and Saskatchewan. In British Columbia several promising blocks of land were purchased southwest of the Company's Rainbow Lake holdings. These lands consist of lease blocks, drilling reservations, and an exploration permit. Almost one million acres of permit lands were acquired in the Fort Norman area of the Northwest Territories. In the northern areas, the Company's interest in new acquisitions was primarily 10%, except for a few areas where a 5% interest was established.

In Saskatchewan, additional permits were added to the large land spread covering the Winnipegosis reef play. Due to the heavy exploration commitments required, the Company reduced its interest in these lands to 33½% through the sale of 33½% interest from Banff and Aquitaine to Jefferson Lake Petrochemicals of Canada Ltd.

At recent Crown sales, Banff (10%) and Aquitaine (90%) were successful in acquiring five additional permits totalling 189,000 acres in widely scattered areas of northeast British Columbia.

### Farmouts

During 1966, five farmouts and options were completed involving Banff-owned lands in southern Alberta. Six wells were drilled of which three were abandoned, two completed as oilwells and one completed as a gas well. The most important drilling activity occurred on the Vauxhall and Talbot blocks.

At Vauxhall, Apache et al Scandia 7-14-14-16 W4M was completed as a Glauconite Sand oilwell offsetting Banff interest lands and Apache et al Scandia 10-22-14-16 W4M as a Viking Sand gas well. Banff's interest in the farmout lands and the 10-22 well is 4.375% while in the remaining portion of the acreage, it is 8.75%.

At Talbot, Seafort Amarillo Talbot 4-29-37-8 W4M was completed as a Viking Sand oilwell on a farmout from Banff and Aquitaine. Further drilling is planned in 1967 to determine the extent of the Viking accumulation. Banff retained a 5% interest in the farmout lands and 10% in a large acreage spread adjoining these lands.

Other farmouts were made in the Alix, Chigwell and Jeffrey localities where wells drilled on or adjacent to Banff-interest acreage were dry and abandoned. Banff's interest is 25% at Alix and Chigwell and 50% at Jeffrey.

In northern Alberta, farmouts were made on the Cadotte, Bison and Keg River blocks. Wells were drilled on each of these blocks and abandoned. Banff's interests are 2½% at Cadotte, 5% at Bison and 3.75% at Keg River.

# WELL DRILLING RECORD - 1966

## EXPLORATORY

Well	Location	Company Interest %	Depth	Status
<b>ALBERTA</b>				
Banff Mobil Saka 10-32-108-7	10-32-108-7-6	5	6,680	Rainbow Reef Oilwell
Banff Aquit Tsuhae 7-18-109-7	7-18-109-7-6	5	6,620	Rainbow Reef Oilwell
Banff Aquit Junction 10-6-109-10	10-6-109-10-6	5	7,140	Dry and Abandoned
Banff Aquit Black Creek 4-2-110-9	4-2-110-9-6	5	7,060	Dry and Abandoned
Banff Mobil Rainbow 4-9-109-8	4-9-109-8-6	5	6,779	Rainbow Reef Oilwell
Banff Mobil Yesshe 12-29-108-8	12-29-108-8-6	5	6,850	Rainbow Reef Oilwell
Banff Mobil Rainbow 13-28-108-8	13-28-108-8-6	5	6,835	Rainbow Reef Oilwell
Banff Mobil Nonta 7-35-109-7	7-35-109-7-6	5	6,415	Rainbow Reef Oilwell
Banff Mobil Rainbow 2-12-110-8	2-12-110-8-6	5	6,735	Rainbow Reef Oilwell
Banff Mobil Tehze 2-27-108-9	2-27-108-9-6	5	6,950	Rainbow Reef Oilwell
Banff Mobil Leinkle 1-2-108-10	1-2-108-10-6	5	7,020	Rainbow Reef Oilwell
Banff Mobil Nonta Rain 6-26-109-7	6-26-109-7-6	5	6,445	Rainbow Reef Gas Well
Banff Mobil Kitu 6-23-108-7	6-23-108-7-6	5	7,115	Rainbow Reef Gas Well
Banff Mobil Rainbow 6-14-110-8	6-14-110-8-6	5	6,970	Dry and Abandoned
R.O. Corp Sinclair Gold Ck 11-22-67-4	11-22-67-4-6	6-2/3**	11,182	Dry and Abandoned
R.O. Corp Sinclair Gold Ck 10-3-68-4	10-3-68-4-6	6-2/3**	11,520	Wabamun Gas Well
*Homestead et al Bison 11-36-95-16	11-36-95-16-5	5	5,458	Dry and Abandoned
*Security et al Kemp 4-25-100-22	4-25-100-22-5	3.75	5,946	Dry and Abandoned
*Britalta Baumgartner Vimy 10-4-59-24	10-4-59-24-4	50	4,037	Dry and Abandoned
*Colonial et al Cadotte 10-34-86-12	10-34-86-12-5	5	5,137	Dry and Abandoned
*Apache et al Scandia 10-22-14-16	10-22-14-16-4	4.375	3,321	Viking Sand Gas Well
*Seafort Amarillo Provo N 4-29-37-8	4-29-37-8-4	5	3,241	Viking Oilwell

## DEVELOPMENT

Well	Location	Company Interest %	Depth	Status
<b>ALBERTA</b>				
Banff Aquit Rainbow 3-5-108-9	3-5-108-9-6	5	7,416	Rainbow Reef Oilwell
Banff Mobil Rainbow 13-2-109-8	13-2-109-8-6	5	7,148	Rainbow Reef Oilwell
Banff Mobil Rainbow West 1-3-109-8	1-3-109-8-6	5	6,725	Rainbow Reef Oilwell
Banff Mobil Rainbow West 3-3-109-8	3-3-109-8-6	5	6,638	Rainbow Reef Oilwell
Banff Mobil Rainbow West 7-32Mg-109-8	7-32-109-8-6	5	5,840	Muskeg Oilwell
Banff Mobil Rainbow 10-32-109-8	10-32-109-8-6	5	6,814	Rainbow Reef Oilwell
Banff Mobil Rainbow 16-15-109-8	16-15-109-8-6	5	6,895	Rainbow Reef Oilwell
Banff Mobil Rainbow 2-32-109-8	2-32-109-8-6	5	6,799	Rainbow Reef Oilwell
Banff Mobil Saka 10-5-109-7	10-5-109-7-6	5	6,615	Rainbow Reef Oilwell
Banff Mobil Saka 10-31-108-7	10-31-108-7-6	5	6,010	Rainbow Reef Oilwell
Banff Mobil Saka 2-4-109-7	2-4-109-7-6	5	6,620	Rainbow Reef Oilwell
Banff Mobil Rainbow 12-3-109-8	12-3-109-8-6	5	6,194	Rainbow Reef Oilwell
Banff Mobil Rainbow 5-9-109-8	5-9-109-8-6	5	6,797	Rainbow Reef Oilwell
Banff Mobil Saka 3-32-108-7	3-32-108-7-6	5	6,620	Rainbow Reef Oilwell
Banff Mobil Rainbow 12-10-109-8	12-10-109-8-6	5	6,773	Rainbow Reef Oilwell
Banff Mobil Saka 8-28-108-7	8-28-108-7-6	5	6,694	Rainbow Reef Oilwell
Banff Mobil Rainbow 10-1-110-8	10-1-110-8-6	5	6,701	Rainbow Reef Oilwell
Banff Mobil Rainbow 11-6-109-7	11-6-109-7-6	5	5,931	Rainbow Reef Oilwell
Banff Mobil Rainbow 10-12-110-8	10-12-110-8-6	5	6,780	Rainbow Reef Oilwell
Jeff Lake et al Crossfield 11-2-27-29	11-2-27-29-4	3.342	8,907	Dry and Abandoned
Jeff Lake et al Cross 11-18-26-28	11-18-26-28-4	2.424	8,683	Crossfield Gas Well
Jeff Lake et al Cross 11-19-26-28	11-19-26-28-4	2.424	8,722	Crossfield Gas Well
Jeff Lake et al Cross 6-32-25-28	6-32-25-28-4	2.424	8,522	Crossfield Gas Well
Jeff Lake et al Cross 10-35-25-29	10-35-25-29-4	3.911	7,343	Basal Quartz Gas Well
Jeff Lake et al Cross 6-33-25-29-4	6-33-25-29-4	5.285	7,592	Elkton Gas Well
Jeff Lake et al Cross 11-30-25-28	11-30-25-28-4	2.424	8,655	Crossfield Gas Well
Jeff Lake et al Cross 11-6-26-28	11-6-26-28-4	2.424	8,707	Crossfield Gas Well
Uno Tex et al Salt 10-36-75-10	10-36-75-10-5	5	5,960	Gilwood Sand Oilwell
Uno Tex et al Salt 4-6-76-9	4-6-76-9-5	5	5,981	Dry and Abandoned
Uno Tex et al Salt 10-35-75-10	10-35-75-10-5	5	6,094	Suspended
<b>SASKATCHEWAN</b>				
Banff et al Midale 3-23-6-10	3-23-6-10-2	24	4,780	Dual Midale and Frobisher Oilwell
Banff et al Bromhead N 15-25-3-13	15-25-3-13-2	12½	5,670	Midale Oilwell
*Kiss Browning 11-4-7-5	11-4-7-5-2	12½	4,230	Dry and Abandoned

\*Farmout of Banff Interest Land

\*\*Net Carried Interest

## PRODUCTION

The remarkable growth experienced by Banff during 1966 resulted from the commencement of oil production from Rainbow and increased gas and natural gas liquids production from the Wimborne and Calgary Elkton gas fields.

### PRODUCTION SUMMARY

	1966	1965	Net Change
Crude oil (net barrels) . . . . .	285,144	194,722	+ 46%
Pipeline gas (net MMcf) . . . . .	2,745	2,298	+ 19%
Natural gas liquids (net barrels) . . . . .	112,929	61,856	+ 82%
Sulphur (long tons) . . . . .	13,119	13,628	- 4%

Rainbow production which commenced on March 18, 1966 benefited from the record market demands occurring during 1966 for Alberta crude oil. In March, 1967, daily production from Banff-operated Rainbow wells reached 27,000 barrels of oil per day. Production from Rainbow was delivered by the 235-mile Rainbow-Nipisi leg of the Rainbow pipeline system to the Mitsue pipeline system which connects to the Interprovincial pipeline complex in Edmonton.

Under-production in Rainbow caused by the restricted capacity of the Mitsue system and carried into 1967 amounted to approximately 19% of the year's crude oil allowable from Rainbow, representing 31,800 net barrels to Banff. Completion of the 183-mile Nipisi to Edmonton section of the Rainbow Pipe Line Company, Ltd. system has eliminated any transportation restrictions for Rainbow crude. Construction of the Nipisi-Edmonton section and the 60-mile Rainbow-Zama section began in late 1966 and was completed in March of 1967.

In addition to the twelve Keg River oil pools, there are two Muskeg pools and one Sulphur Point pool now connected to the Rainbow Pipe Line.

The 19% increase in the production of natural gas and the 82% increase in production of natural gas liquids is the result of increased production from the Wimborne and Calgary Elkton gas fields. The Wimborne plant and the liquid petroleum gas recovery unit of the Calgary plant each completed their first full year of operation.

## RESERVES

The reserve position of the Company is dominated by Rainbow. The proven and probable reserves attributed to this area reflect the recovery anticipated under the current depletion process (proven) plus a minimum increment anticipated under enhanced recovery processes (probable). The probable reserve level is conservative in the light of the production history of other reef pools in Alberta.

### RESERVES SUMMARY (Proven and Probable)

	1966	1965	Net Change
Crude oil (net barrels) . . . . .	28,545,449	8,008,612	+256%
Pipeline gas (net MMcf) . . . . .	113,627	104,480	+ 9%
Natural gas liquids (net barrels) . . . . .	5,108,014	2,596,674	+ 97%
Sulphur (long tons) . . . . .	465,041	441,642	+ 5%

The increase in reserves of natural gas liquids and sulphur is attributed mainly to solution gas from Rainbow crude.

The Alberta proration system is now keyed to reserves. The gravity drainage characteristics of the Keg River reservoirs provide exceptional recoveries under both primary and enhanced recovery mechanisms. Numerical models have been developed to simulate the future performance of the Keg River reservoirs and have been the basis for the reserve estimates.

During 1966 the Oil and Gas Conservation Board acknowledged a combined oil in place of 680,000,000 stock tank barrels for the three non-confidential Rainbow Keg River pools ("A", "B" and "F"). Designation of a recovery factor for these reservoirs is predicated upon the detailed reservoir engineering studies carried out by the Company and submitted to the Board. The initial recovery factor assigned to the "A" pool was 45% of the oil in place. As a consequence of reservoir studies this factor has now been raised to 55%, similarly, the recovery level for the "F" pool was initially set at 30% and subsequently raised to 40% on the basis of engineering submissions. Completion of more complex model studies of "F" pool have resulted in current Board recognition of a recovery of 50%. The initial recovery factor of 40% assigned to "B" pool remains unchanged.

Gas injection into the "A" pool began in July of 1966 on a test basis. Approval was recently obtained from the Conservation Board to increase injection which will result in a recovery factor increase to 65% after three months of full pressure maintenance. The increase in "A" pool recovery from 45% to 65% will give an increase of 45% in the production and cash flow from this pool.

The Rainbow South "A" pool was unitized in February, 1967. Participating equities were calculated on the basis of acreage contribution and unitization was accomplished prior to any of the wells being one year old. This unit provides an example of the incentive, under the new proration regulations, for operators to cooperate in the early life of the pool. By drilling fewer wells on wider spacing, capital development costs are minimized and optimum revenues achieved.

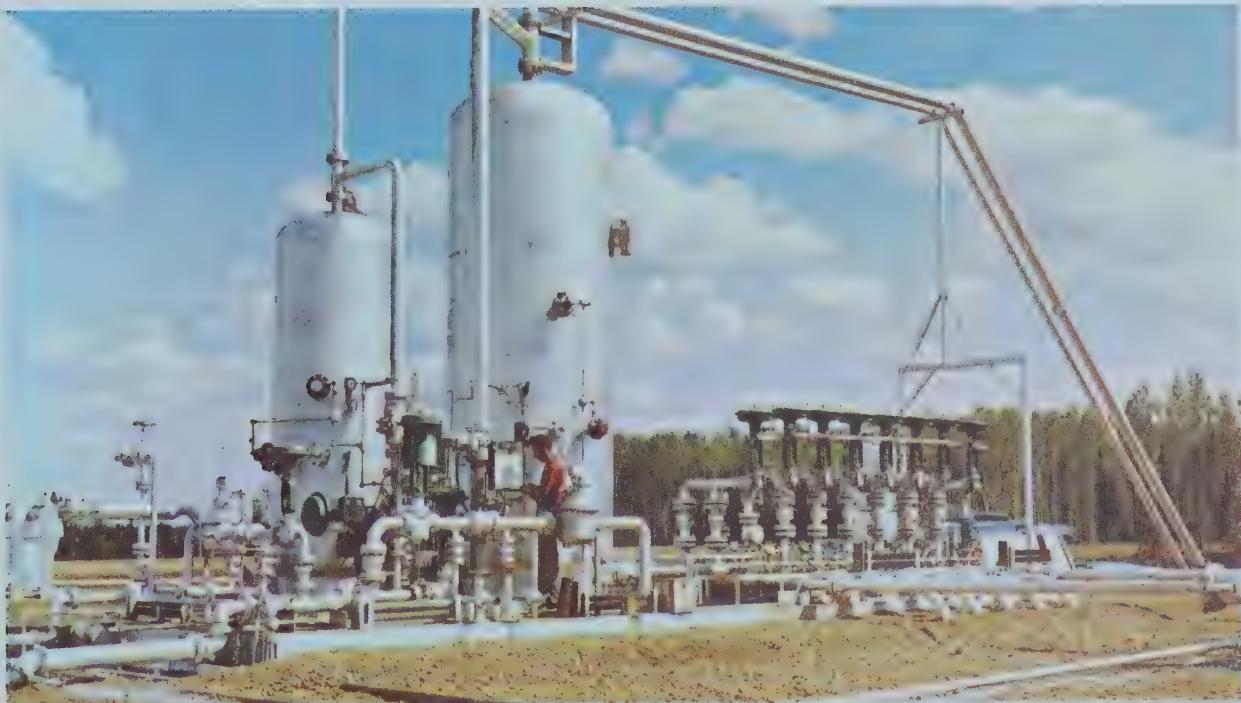
### Rainbow Development

All of the nineteen Rainbow development wells drilled in 1966 were successfully completed as oil-wells. One of these, Banff Mobil Rainbow 7-32Mg-109-8 was drilled to take production from the Muskeg formation in the "A" pool. The remaining eighteen wells completed in Rainbow reef pools helped to delineate reserves in Rainbow "A", "B", "D", "F" and "O" pools.

Results of two discoveries made during 1966 were recently made public. Banff Mobil Yesshe 12-29-108-8 ("H" Pool) encountered 651' of net oil pay in the Rainbow member and Banff Mobil Rainbow 4-9-109-8 ("D" Pool) found 41' of net oil pay in the same unit. The oil zone at Yesshe is the thickest reported to date.



Access road through muskeg



Rainbow fieldgate battery



**Compressor Station — "A" Pool satellite battery**

During the current winter season, Banff Mobil Tehze 2-27Mu-108-9 was drilled as a twin to the Tehze Rainbow discovery well in order to take oil production from the Sulphur Point and Muskeg reservoirs. Further development drilling is planned for 1967.

All production from Rainbow is gathered and treated at a fieldgate battery located in the centre of the "B" pool. These facilities, constructed at a cost of approximately three-quarters of a million dollars will comprise the inlet facilities for a gas conservation plant currently under construction. This plant, scheduled to be in operation in the latter part of 1968, will be automated as will the current field gathering facilities. The plant will produce 37.5 million cubic feet of gas per day, 9,000 barrels of natural gas liquids and 75 long tons of sulphur per day. The sweet gas will be used for pressure maintenance, the natural gas liquids for miscible flooding (enhancing recovery) and the sulphur will be marketed. Engineering studies are also in progress to determine the feasibility of maintaining reservoir pressure in certain pools by water flooding.

The roads constructed in combination with the development drilling and field facility construction provide ready access to any point within the field. It is anticipated that a new government road from the McKenzie Highway (90 miles to the east) will be completed prior to the completion of the plant giving year-round road access to the operation.

The original Banff campsite and warehousing area is now part of the industrial area of the new town of Rainbow Lake. The town presently provides living facilities for 700 men who serve the many operators active in the general area. In addition, there are camps at each of the drilling rigs and seismic parties. Sewer and water services, a school, a shopping centre, houses and a trailer court will be built during 1967. By late 1967, with modern facilities available, wives and children of Banff's employees will be living in the new town.

### **Calgary Elkton and Crossfield Units**

Expansion of the Calgary plant of Petrogas Processing Ltd. began during 1966 to accommodate increased sales contracts and the new facilities are expected to be on production in June, 1967. Four Crossfield and two Elkton wells were completed as gas wells during 1966 to ensure delivery of contracted gas.

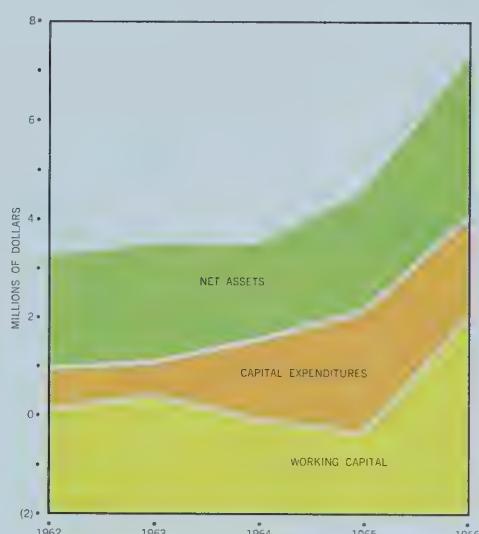
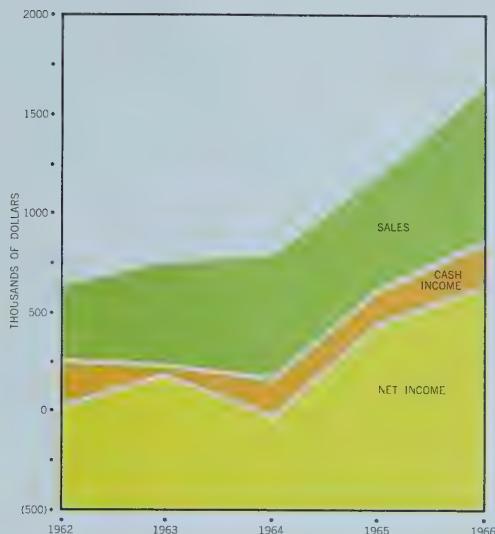
### **Southeast Saskatchewan**

In southeast Saskatchewan two development wells were successfully completed during 1966. At Midale, Banff et al Midale 3-23-6-10 was completed in both the Midale and Frobisher zones for the second dual completion on this lease. The Banff et al Bromhead N. 15-25-3-13 was completed as a successful one-half mile north extension to the Bromhead 7-25 discovery well. The 7-25 well also underwent a successful workover to curtail water production. Additional development drilling is planned for 1967. The Company's interest at Midale is 24% and at Bromhead 12½%.

### **Lator**

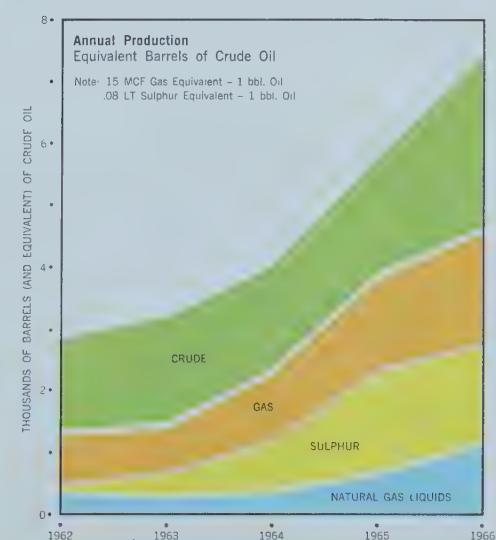
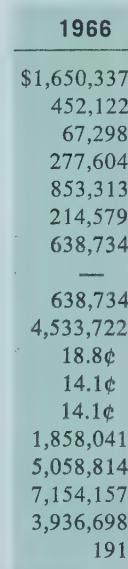
In the Lator area near the southern end of the Smoky River block, the 4-8-63-2 W6M well of Atlantic Richfield was spudded in early 1967 and completed as a Dunvegan oilwell. A further location in 12-31-62-2 W6M was recently abandoned after failing to find productive sand. The 4-8 well is a five-eighths mile northeast offset to the 10-6 producer, while the 12-31 dry hole is five-eighths mile southwest of the 2-6 discovery well.

# FINANCIAL



## FIVE YEAR REVIEW

	1966	1965	1964	1963	1962
Sales . . . . .	\$1,650,337	\$1,219,734	\$ 809,034	\$ 763,355	\$ 646,071
Production Expenses . . . . .	452,122	357,022	282,259	281,680	220,382
Administrative Expenses . . . . .	67,298	40,713	203,269	144,739	98,074
Interest Expense . . . . .	277,604	204,923	154,772	114,941	65,153
Cash Income . . . . .	853,313	617,076	168,734	221,995	262,462
Non Cash Charges . . . . .	214,579	204,085	202,654	196,172	221,838
Operating Income (loss) . . . . .	638,734	412,991	(33,920)	25,823	40,624
Special Credits . . . . .	—	35,037	—	178,047	—
Net Income (loss) . . . . .	638,734	448,028	(33,920)	203,870	40,624
Shares Outstanding . . . . .	4,533,722	4,248,061	3,630,101	3,562,601	3,562,601
Cash Income per share . . . . .	18.8¢	14.5¢	4.6¢	6.2¢	7.4¢
Operating Income (loss) per share . . . . .	14.1¢	9.7¢	(.9¢)	.7¢	1.1¢
Net Income (loss) per share . . . . .	14.1¢	10.5¢	(.9¢)	5.7¢	1.1¢
Working Capital . . . . .	1,858,041	(434,018)	(123,682)	301,576	7,496
Long Term Debt . . . . .	5,058,814	1,663,327	1,036,670	65,137	1,409,811
Net Assets . . . . .	7,154,157	4,575,077	3,431,015	3,408,095	3,220,510
Capital Expenditures . . . . .	3,936,698	2,086,921	1,529,867	1,050,940	960,481
Number of Employees . . . . .	191	89	35	21	11



## **Revenues**

Substantial increases in sales, cash generated and net income were recorded during 1966. Revenues from the sale of crude oil, gas and by-products totalled \$1,650,337 representing an increase of 35% over 1965. Cash generated amounted to \$853,313 or 18.8¢ per share, an increase of 38%. Net income of \$638,734, equal to 14.1¢ per share, showed an increase of 43% over the preceding year.

These new revenue and income levels can be attributed, for the most part, to crude oil sales from the Rainbow Lake area of northwestern Alberta.

## **Expenses**

Throughout the year, well operating costs dropped 27% from 82¢ per barrel in 1965 to 60¢ per barrel in 1966 resulting primarily from low cost Rainbow production. Further reductions in well operating costs can be expected in the future.

Administrative expenses of \$67,298 in 1966 equal to 4.1% of sales, show an increase over the 1965 expenses which amounted to 3.3% of sales. Pursuant to an agreement with Aquitaine Company of Canada Ltd., Banff's administrative expenses are shared by both companies in ratio to their joint venture capital expenditures thereby enabling Banff to recover a major portion of its overhead (\$1,172,291 was received by the Company in 1966).

Interest costs, related for the most part to bank loans, amounted to \$277,604, an increase of 35.5% over similar costs in 1965.

## **Working Capital**

Working capital was increased from a deficit of \$434,018 at December 31, 1965 to \$1,858,041 at December 31, 1966, primarily as a result of receiving standing advances from joint venture partners covering capital expenditure programs and obtaining new banking terms. These new terms resulted in the deferment of the repayment of principal for two years thereby enhancing the Company's working capital position during this period.

## **Capital Expenditures and Investments**

During the year capital expenditures on property, plant and equipment increased to \$3,518,905 from \$2,024,667 in 1965, as a result of the accelerated program at Rainbow.

The Company in 1966 made additional equity investments in the Rainbow Pipe Line Company, Ltd. to cover extension into new areas and further enhance the marketing of production from this northern area. The total cost of the system to date is approximately \$60,000,000. Additional investments were also made in subordinate debentures of Petrogas Processing Ltd., a gas processing company servicing the Calgary fields, for a plant expansion to be completed early in 1967.

## **Banking**

The accelerated capital expenditure program necessitated additional funds in excess of those generated from operations requiring the Company to seek further financing. It was able to negotiate successfully with a major Canadian bank for a \$7,500,000 total line of credit of which \$3,800,000 was drawn at December 31, 1966 from an approved limit of \$5,000,000 at that time. As reserves are added the Company will be able to increase its approved line of credit to the \$7,500,000 total. Repayment of this loan in 42 monthly installments will commence November 1, 1968.

## **Share Capital**

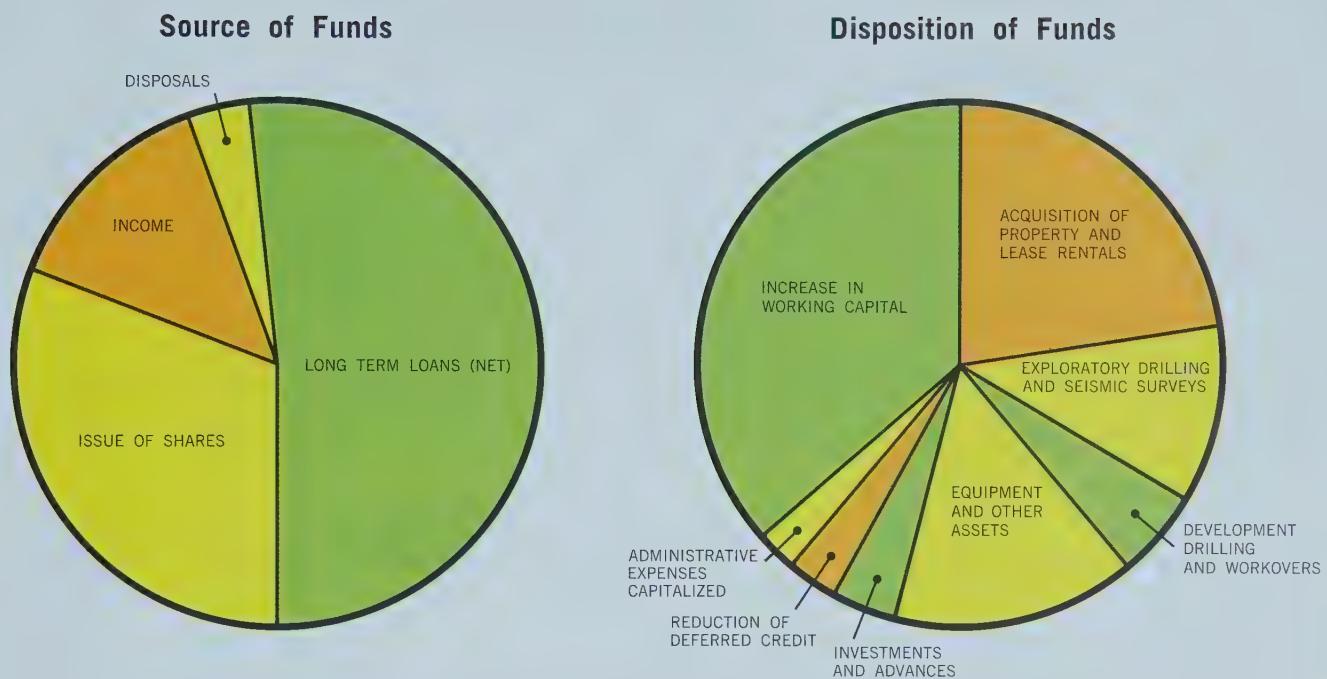
During the year 285,661 shares of common stock were issued privately and through the exercise of options netting to the Company \$1,940,346 after expenses.

As was stated in last year's Annual Report, the Company has been advised that its common shares, with the exception of those issued to Aquitaine Company of Canada Ltd. and to other French interests totalling 770,000 shares, are exempted from the application of the Interest Equalization Tax in the United States and may be traded freely on the stock exchanges of both countries. The non-exempt 770,000 common shares are listed separately for trading on the Toronto Stock Exchange only under the listing reference BNFNX.

## **Income Tax**

Canadian Income Tax law allows drilling, exploration and property acquisition costs to be deducted in computing taxable income and if these costs exceed taxable income during the year they may be carried forward to future years. The balance of these expenditures to be carried forward and applied to future income of the Company is approximately \$6,500,000 as at December 31, 1966.

# BANFF OIL LTD.



## STATEMENT OF SOURCE AND DISPOSITION OF FUNDS

YEARS ENDED DECEMBER 31, 1966 AND 1965

(Canadian Dollars)

	<u>1966</u>	<u>1965</u>
<b>Source of funds</b>		
Income before depletion, depreciation and amortization . . . . .	\$ 853,313	\$ 617,076
Long term loans less repayments . . . . .	3,395,487	626,657
Issue of shares . . . . .	1,940,346	696,034
Reduction of prior years' plant processing charges . . . . .	—	35,037
Disposals of property, plant and equipment and other assets . . .	241,529	19,312
	<u>6,430,675</u>	<u>1,994,116</u>
<b>Disposition of funds</b>		
Acquisition of property and lease rentals . . . . .	1,423,730	508,543
Equipment and other assets . . . . .	946,407	588,695
Exploratory drilling and seismic surveys . . . . .	681,300	507,389
Development drilling and workovers . . . . .	326,032	322,676
Acquisition of investments and advances . . . . .	417,793	119,817
Reduction of deferred credit arising from sale of future production . . . . .	201,918	159,968
Administrative expenses less recoveries capitalized . . . . .	141,436	97,364
	<u>4,138,616</u>	<u>2,304,452</u>
<b>INCREASE (DECREASE) IN WORKING CAPITAL DURING THE YEAR . . . . .</b>	<b>2,292,059</b>	<b>(310,336)</b>
Working capital (deficiency), beginning of year . . . . .	(434,018)	(123,682)
Working capital (deficiency), end of year . . . . .	<u>\$ 1,858,041</u>	<u>\$ (434,018)</u>

(See accompanying notes)

# BANFF OIL LTD.

## STATEMENT OF OPERATIONS AND DEFICIT

YEARS ENDED DECEMBER 31, 1966 AND 1965

(Canadian Dollars)

	1966	1965
Sales of crude oil, gas and by-products . . . . .	<u>\$1,650,337</u>	<u>\$1,219,734</u>
Deduct		
Production expenses . . . . .	452,122	357,022
Administrative expenses less recoveries . . . . .	67,298	40,713
Interest expense . . . . .	277,604	204,923
	<u>797,024</u>	<u>602,658</u>
Income before the following . . . . .	<u>853,313</u>	<u>617,076</u>
Depletion (Note 2) . . . . .	133,319	153,194
Depreciation (Note 2) . . . . .	64,098	32,223
Amortization of financing costs (Note 2) . . . . .	17,162	18,668
	<u>214,579</u>	<u>204,085</u>
Income from operations . . . . .	<u>638,734</u>	<u>412,991</u>
Reduction of prior years' plant processing charges . . . . .	<u>—</u>	<u>35,037</u>
NET INCOME FOR THE YEAR (Note 5) . . . . .	<u>638,734</u>	<u>448,028</u>
Deficit, beginning of year . . . . .	<u>1,581,354</u>	<u>2,029,382</u>
Deficit, end of year . . . . .	<u>\$ 942,620</u>	<u>\$1,581,354</u>
NET INCOME PER SHARE . . . . .	<u>14.1¢</u>	<u>10.5¢</u>

(See accompanying notes)

## AUDITORS' REPORT

To the Shareholders of Banff Oil Ltd.

We have examined the statement of financial position of Banff Oil Ltd. as at December 31, 1966 and the statements of operations and deficit and source and disposition of funds for the year then ended and have obtained all the information and the explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Subject to the effect, if any, of litigation referred to in Note 7 to the financial statements, in our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the Company, these financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the Company as at December 31, 1966 and the results of its operations and the source and disposition of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

March 3, 1967  
Calgary, Alberta

PRICE WATERHOUSE & CO.  
Chartered Accountants.

# BANFF OIL LTD.

## Statement of Financial Position – December 31, 1966 and 1965

(Canadian Dollars)

	<b>NET ASSETS</b>	<u>1966</u>	<u>1965</u>
<b>CURRENT ASSETS</b>			
Cash . . . . .	\$ 315,096	\$ 108,105	
Accounts receivable . . . . .	4,727,015	2,478,551	
Inventories			
Sulphur at net sales price . . . . .	255,858	167,499	
Materials and supplies at cost . . . . .	61,204	20,672	
	<u>5,359,173</u>	<u>2,774,827</u>	
<b>Less CURRENT LIABILITIES</b>			
Accounts payable . . . . .	3,501,132	2,872,221	
Current maturities of long term debt (Note 3) . . . . .	—	336,624	
	<u>3,501,132</u>	<u>3,208,845</u>	
<b>WORKING CAPITAL (Deficiency)</b> . . . . .	<u>1,858,041</u>	<u>(434,018)</u>	
<b>INVESTMENTS at cost</b>			
Wholly-owned subsidiary — shares (\$1,000) and advances (Note 1) . . . . .	88,090	87,226	
Other . . . . .	560,239	143,310	
	<u>648,329</u>	<u>230,536</u>	
<b>PROPERTY, PLANT AND EQUIPMENT at cost (Note 2)</b> . . . . .	12,287,670	8,939,635	
Less accumulated depletion and depreciation . . . . .	1,407,563	1,214,956	
	<u>10,880,107</u>	<u>7,724,679</u>	
<b>OTHER ASSETS</b> . . . . .	<u>249,432</u>	<u>324,901</u>	
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b> . . . . .	<u>13,635,909</u>	<u>7,846,098</u>	
<b>Less LONG TERM DEBT (Note 3)</b> . . . . .	<u>5,058,814</u>	<u>1,663,327</u>	
	<u>8,577,095</u>	<u>6,182,771</u>	
Less DEFERRED CREDIT arising from the sale of future production less unamortized financing costs (1966—\$132,173; 1965—\$149,335) (Note 2) . . . . .	1,422,938	1,607,694	
<b>NET ASSETS</b> . . . . .	<u>\$ 7,154,157</u>	<u>\$ 4,575,077</u>	
<b>CONTINGENT LIABILITY (Note 7)</b>			
	<b>SHAREHOLDERS' EQUITY</b>		
<b>SHARE CAPITAL (Note 4)</b>			
Authorized			
7,000 cumulative redeemable convertible 5% preferred shares of a par value of \$100 each			
6,000,000 common shares of a par value of 50c each			
Issued			
4,533,722 common shares (1965—4,248,061 shares) . . . . .	\$ 2,266,861	\$ 2,124,030	
<b>CONTRIBUTED SURPLUS (Note 4)</b> . . . . .	<u>5,829,916</u>	<u>4,032,401</u>	
	<u>8,096,777</u>	<u>6,156,431</u>	
<b>DEFICIT</b> . . . . .	<u>942,620</u>	<u>1,581,354</u>	
<b>SHAREHOLDERS' EQUITY</b> . . . . .	<u>\$ 7,154,157</u>	<u>\$ 4,575,077</u>	

APPROVED ON BEHALF OF THE BOARD:

J. C. RUDOLPH, Director

L. PRADAL, Director

The Auditors' Report is attached to this Statement of Financial Position.

(See accompanying notes)

# BANFF OIL LTD.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1966  
(Canadian Dollars)

### 1. SUBSIDIARY COMPANY

The Company's wholly-owned subsidiary, Seacrest Oil Company, is in the development stage and has not realized profits or sustained losses to December 31, 1966. Its accounts have not been consolidated with those of the Company because of their relative insignificance.

### 2. ACCOUNTING PRACTICES

The Company follows the full cost method of accounting for oil and gas properties whereby all costs related to the exploration for and development of oil and gas reserves are capitalized. Depletion of such costs is provided for by a unit of production method based on total estimated reserves of oil and gas. Depreciation of production equipment is provided on the same basis. Depreciation of plant and other equipment is provided for by the straight line method based on estimated service life of each group of assets.

The deferred credit arising from the sale of future production in 1963 and the related financing costs are being written off as the gas and by-products required to liquidate the production payment are produced.

### 3. LONG TERM DEBT

	1966	1965
6% Bank loan repayable in 42 monthly installments from November 1, 1968, secured by producing properties . . . . .	\$3,800,000	\$ —
6% Bank loan repaid in 1966 . . . . .	—	1,909,951
7 1/4% Notes payable to affiliated company on December 15, 1968 . . . . .	200,000	—
4 1/2% Note payable to affiliated company refinanced in 1966 . . . . .	—	90,000
Advances from joint venture participants . . . . .	1,058,814	—
	<hr/>	<hr/>
	5,058,814	1,999,951
Current maturities included in current liabilities . . . . .	—	336,624
	<hr/>	<hr/>
	\$5,058,814	\$1,663,327

### 4. COMMON SHARE CAPITAL, CONTRIBUTED SURPLUS AND COMMON SHARE OPTIONS

Changes during the year in share capital and contributed surplus were as follows:

	Share Capital		
	Number of Shares	Amount	Contributed Surplus
Balance, January 1, 1966 . . . . .	4,248,061	\$2,124,030	\$4,032,401
Issue of shares for cash . . . . .	270,000	135,000	1,836,000
Issue of shares upon exercise of share options . . . . .	15,661	7,831	30,682
			5,899,083
Less share issue expenses . . . . .			69,167
Balance, December 31, 1966 . . . . .	<hr/>	<hr/>	<hr/>
	4,533,722	\$2,266,861	\$5,829,916

Options were outstanding at December 31, 1966 granting certain officers and employees the right to purchase 36,589 shares of the Company at prices ranging from \$1.47 to \$12.75 per share and exercisable on a cumulative basis from time to time until 1969. During the year, options on 2,589 shares were cancelled upon the employees' termination of employment with the Company and options on these shares were granted to other employees at prices of \$12.00 and \$12.75 per share.

### 5. INCOME TAXES

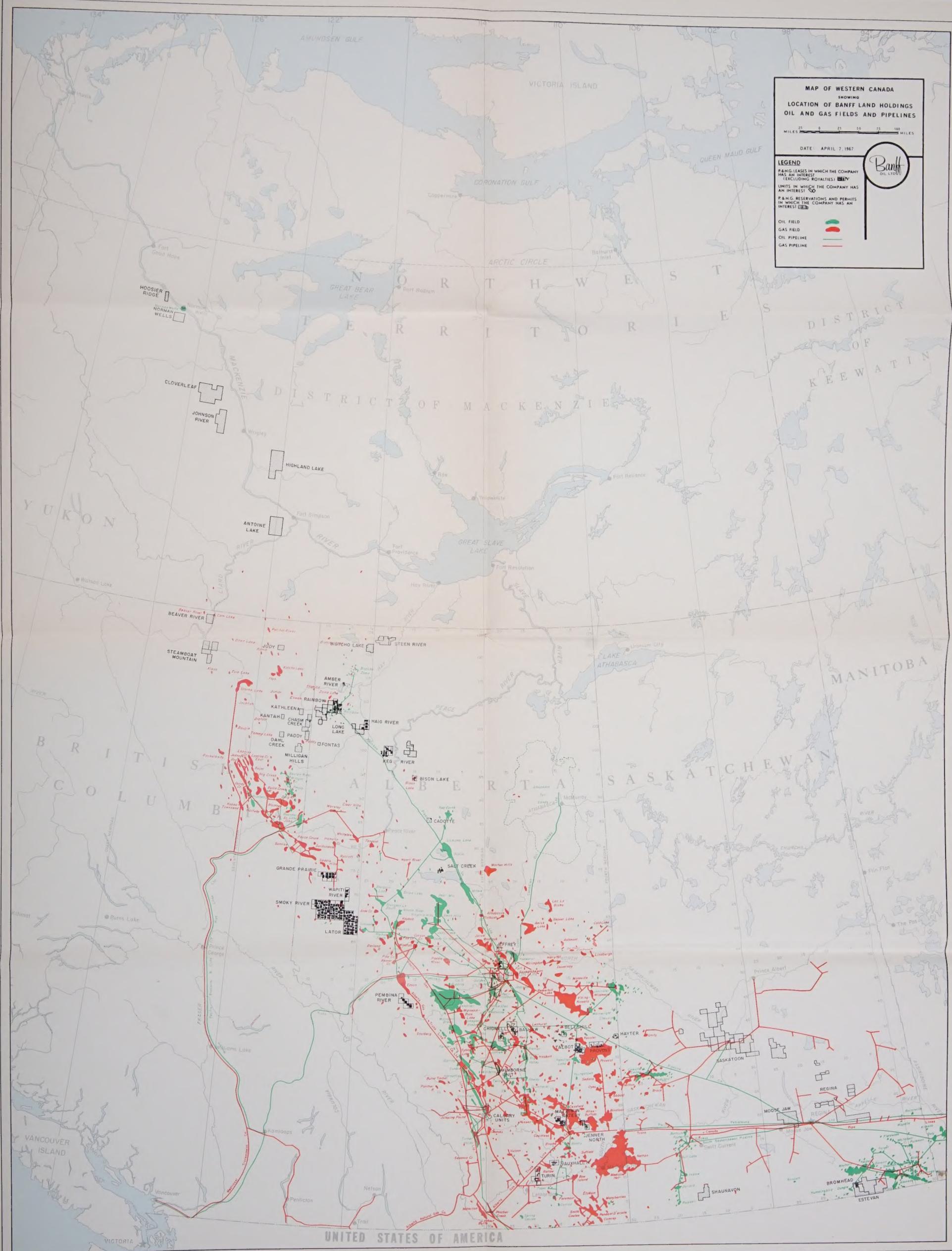
Under Canadian income tax law, drilling, exploration and property acquisition costs which are capitalized in the accounts, are deductible in computing taxable income and if such costs exceed taxable income for the year the excess may be carried forward to future years. As a result, no provision for income taxes was required for the year ended December 31, 1966 and deductions of approximately \$6,500,000 were available to be carried forward against future income.

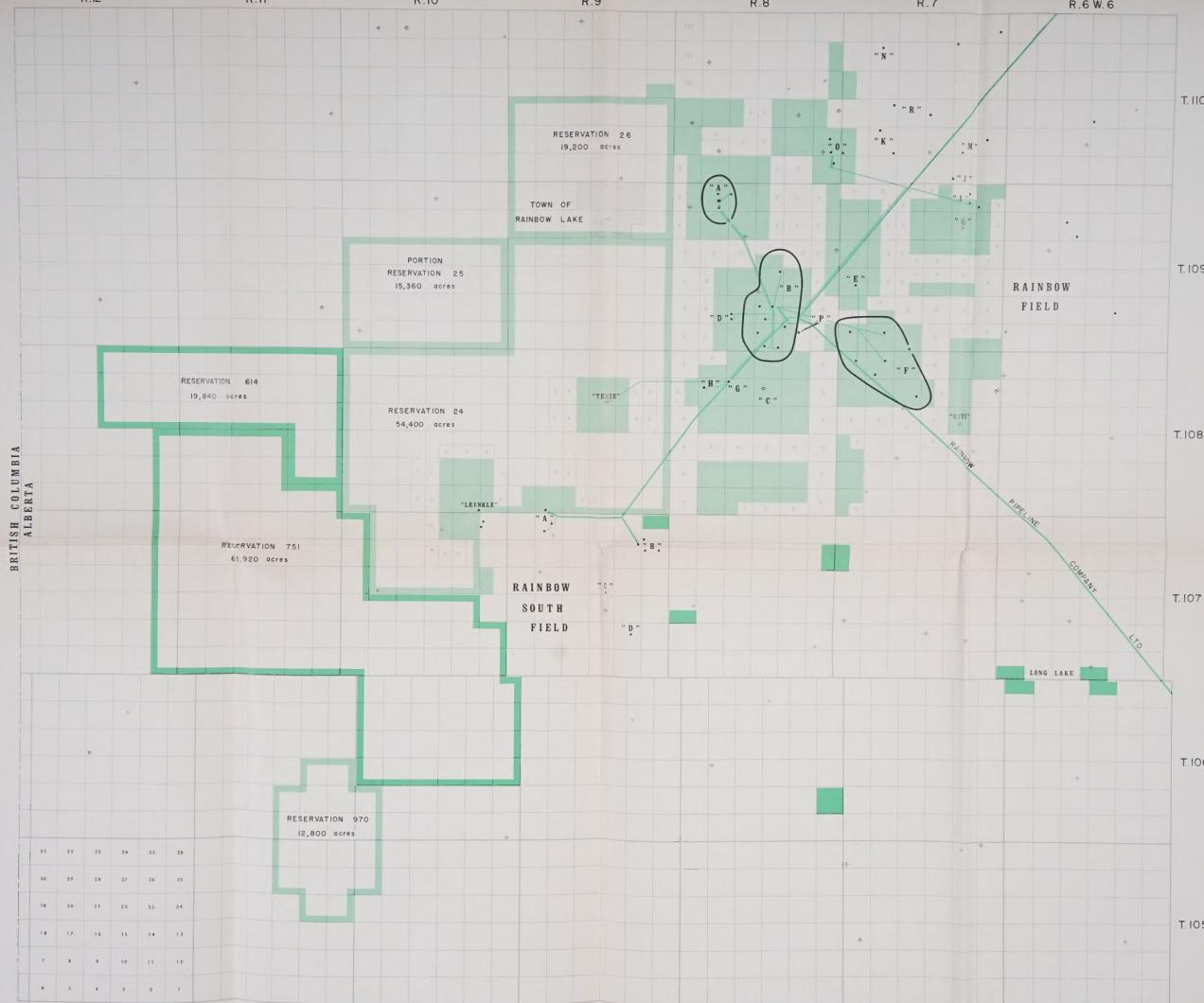
### 6. SUPPLEMENTARY INFORMATION

Recoveries of administrative expenses include management fees of \$1,172,291 charged to an affiliated company (1965—\$401,333). Directors' fees for the year amounted to \$10,600 (1965—\$2,800).

### 7. CONTINGENT LIABILITY

An action was commenced on January 31, 1966, against the Company claiming an amount of \$5,000 and a gross overriding royalty of 2% of the petroleum substances produced from certain lands or in the alternate, claiming damages of \$15,000,000. Although the case is pending and the ultimate decision rests with the courts, management of the Company is of the opinion, after consultation with counsel, that the action will not succeed.





13 14 15 16  
12 11 10 9  
8 7 6 5  
4 3 2 1

DIVISION OF A SECTION into LEGAL SUB-DIVISIONS (LSD.)

5% LEASE  
10% LEASE  
5% RESERVATION  
10% RESERVATION

5% LEASE  
10% LEASE  
5% RESERVATION  
10% RESERVATION

LOCATION OR DRILLING

- OIL WELL
- ◆ GAS WELL
- △ SUSPENDED
- INJECTION WELL
- (C) FUTURE CROWN RESERVE

- OIL WELL
- ◆ GAS WELL
- △ SUSPENDED
- INJECTION WELL
- (C) FUTURE CROWN RESERVE

MILES  
2 1 4 3 2 4

